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BEFORE THE ARIZONA CORPORATION COMMISSION

2 GARY PIERCE

Chairman

DOCKET CONTROL

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BOB STUMP

Commissioner

SANDRA D. KENNEDY

Commissioner

PAUL NEWMAN

Commissioner

BRENDA BURNS

ESSENTIAL

Commissioner

IN THE MATTER OF THE APPLICATION OF

QC ("CENTURYLINK") TO CLASSIFY AND REGULATE RETAIL LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES AS COMPETITIVE, AND TO CLASSIFY AND

DEREGULATE CERTAIN SERVICES AS NON-

QWEST CORPORATION D/B/A CENTURYLINK-

Arizona Corporation Commission

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DOCKETED BY

DOCKET NO. T-01051B-11-0378

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Qwest Corporation d/b/a CenturyLink-QC ("CenturyLink") moves for reconsideration of

of the DoD/FEA Request to Withdraw and the important fairness and future settlement

18 implications it raises, was not considered before the Procedural Order was entered.

19 CenturyLink's filing was made timely (less than 18 hours after the tw telecom filing was served

MOTION FOR RECONSIDERATION OF PROCEDURAL ORDER AND RQUEST FOR PROCEDURAL CONFERENCE

(Expedited Consideration Requested)

the Procedural Order entered today, April 26, 2012, because CenturyLink's Response in Support

electronically), and fairness requires that the arguments made by CenturyLink be considered. A

21 copy of CenturyLink's filing is attached for ease of reference (Attachment 1).

CenturyLink further requests that the Administrative Law Judge convene an emergency

23 conference to discuss limitations that are appropriate to place on the use and evidentiary weight

given to DoD/FEA prefiled testimony for different purposes—(1) whether the Settlement

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1	Agreement is in the public interest, and (2) the merits of the underlying proceeding. Further,		
2	CenturyLink stresses that the question of whether CenturyLink should be afforded the		
3	opportunity to file its written rebuttal testimony to the DoD/FEA must, in fairness, be addressed.		
4	RESPECTFULLY SUBMITTED, this day of April, 2012.		
5	,	WEST CORPORATION d/b/a	
6		ENTURYLINK-QC	
7		many whit	
8	Norman G. Curtright Associate General Counsel		
9	20 E. Thomas Road, 1st Floor Phoenix, Arizona 85012		
10	Te	elephone: (602) 630-2187	
11	ORIGINAL and thirteen (13) copies filed this day of April, 2012, with:		
12	Docket Control		
13	ARIZONA CORPORATION COMMISSION 1200 West Washington Street		
14	Phoenix, Arizona 85007		
15	Copy of the foregoing sent via e-mail and U.S. Mail this day of April, 2012, to:		
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ATTACHMENT A

BEFORE THE ARIZONA CORPORATION COMMISSION

1 GARY PIERCE 2 Chairman **BOB STUMP** 3 Commissioner SANDRA D. KENNEDY 4 Commissioner PAUL NEWMAN 5 Commissioner **BRENDA BURNS** Commissioner 7

2017 APR 26 A 10: 52

AZ CORP COMMISSION DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF QWEST CORPORATION D/B/A CENTURYLINK-QC ("CENTURYLINK") TO CLASSIFY AND REGULATE RETAIL LOCAL **EXCHANGE TELECOMMUNICATIONS** SERVICES AS COMPETITIVE, AND TO **CLASSIFY AND DEREGULATE** CERTAIN SERVICES AS NON-**ESSENTIAL**

DOCKET NO. T-01051B-11-0378

CENTURYLINK'S RESPONSE IN SUPPORT OF DEPARTMENT OF DEFENSE AND FEDERAL EXECUTIVE AGENCIES' ("DoD") REQUEST TO WITHDRAW -and-REPLY TO STAFF AND TW TELECOM OPPOSITIONS TO DoD'S REQUEST TO WITHDRAW

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Qwest Corporation d/b/a CenturyLink-QC ("CenturyLink") supports the Request of the Department of Defense and Federal Executive Agencies ("DoD") to Withdraw (the "DoD Motion"), in connection with the Settlement Agreement ("Settlement Agreement") entered between CenturyLink and DoD in connection with this docket. CenturyLink specifically supports the DoD's request to withdraw written testimony which has been pre-filed but has not been admitted into evidence. This Response is also written in reply to the Oppositions to the DoD's Request to Withdraw filed by the Commission Staff and tw telecom, llc. CenturyLink asks the Commission to grant the DoD Motion, excuse the DoD from further participation in this proceeding, and deny requests to enter the DoD pre-filed testimony into evidence, for the reasons stated below.

SUMMARY

1. With respect to the DoD Settlement and under the specific circumstances presented in this docket, the Commission should uphold the policy of the law favoring settlements. The DoD Settlement does not violate any law or Commission rule, and is free of fraud, duress, undue influence or other defects. Holding the DoD in the docket, or forcing its pre-settlement, unsworn, un-cross-examined, pre-filed testimony—which as of now has no legal significance—into the body of evidence before the Commission, will not significantly enhance the evidentiary record or aid the Commission in the discharge of its duty. Such action would however seriously wound the settlement struck in good faith between DoD and CenturyLink. In the circumstances present here, no legitimate policy concerns are protected or advanced by those who object to the withdrawal of DoD and insist that the DoD be forced to act against its interests.

PUBLIC POLICY CONSIDERATIONS IN COURTS AND IN CORPORATION COMMISSION PROCEEDINGS FAVOR PRE-HEARING COMPROMISE AND SETTLEMENTS

2. The law favors pre-hearing resolution of controversies and uncertainties by compromise and settlement rather than through litigation. (15A AmJur 2d, Compromise and Settlement §3). Further, it is the policy of the law to uphold and enforce such contracts if they are fairly made and do not contravene some law or public policy. Courts consider it their duty to encourage settlements. The legal policy in favor of settlements is rooted in the basic notion that parties of equal bargaining position should have the freedom to resolve their own differences, without regard to whether they have initially resorted to legal process. Such resolution promotes judicial economy, allows the parties to manage their litigation costs and outcomes, and is conducive to amicable and peaceful relations between them, which is particularly important when they have ongoing interaction such as the DoD and CenturyLink will have. Not only do courts favor settlement—they also enforce settlement contracts when possible.

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3. There is no reason for the Commission to do differently with respect to the DoD-CenturyLink Settlement than courts would do. CenturyLink acknowledges that the Commission is the agency established by the Arizona Constitution to regulate public service corporations in the public interest, and accordingly it is appropriate that the Commission does not merely rubber stamp any settlement of a controversy brought before it. However, even in that specialized context, settlements should not be lightly discarded. Settlements such as that reached between DoD and CenturyLink that are fairly made and do not contravene a law or policy should be encouraged and supported.

THE DOD SETTLEMENT IS FAIRLY MADE, DOES NOT CONTRAVENE A LAW OR POLICY, AND DOES NOT DISADVANTAGE ANY PARTY OR OTHER CUSTOMERS

- At the prehearing conference the objecting parties expressed surprise by the DoD 4. Settlement, implying somehow that they are thereby disadvantaged. That claim does not withstand scrutiny. All of the parties were notified of settlement discussions, by a notice of filing made on March 30, 2012. All of the parties were present at the first settlement conferences at which time CenturyLink and DoD informed the other parties that CenturyLink and DoD were engaged in ongoing separate settlement discussions. No party can claim unfair surprise by the DoD Settlement.
- 5. The DoD Settlement was made by fair negotiations. No one can credibly claim that the Commission should be concerned about CenturyLink taking advantage of the United States Government by reason of unequal economic power or litigation resources.
- 6. The prehearing conference was held before the filing deadline for all parties' rebuttal testimony. At that time, CenturyLink thought that the objecting parties' motivation is that they want to "borrow" from the DoD testimony, and essentially adopt portions of the DoD

pre-filed testimony. As it turns out, the Staff does not rely on the DoD unsworn, untested,
prefiled direct to any significant degree. The Staff states it does not disagree with DoD's
analysis, but reach different conclusions about what should be done. tw telecom did not file
rebuttal testimony at all. Although Staff and tw telecom have not borrowed from DoD's
prefiling for their rebuttal testimony, perhaps one or both of them would like to have the DoD
testimony admitted into evidence so that they can ride the coat tails of DoD's pre-settlement
advocacy in briefs. But there are serious policy reasons why that should not be permitted.

The Commission should recognize that each of the objecting parties is a capable

- 7. The Commission should recognize that each of the objecting parties is a capable organization, regularly appearing and participating in proceedings before the Commission, with one or more knowledgeable expert witnesses and experienced counsel. Parties who undertake to intervene in proceedings such as this should be prepared to bear the burden of making their own record. It cannot be said that the dismissal of the DoD and the withdrawal of its pre-filed, unsworn advocacy will unfairly prejudice or harm any other intervenor.
- 8. Nor can there be a concern that the dismissal of the DoD and its pre-filed, unsworn advocacy will unfairly prejudice any particular customer or class of customers not directly represented in the proceeding. The DoD intervention, and its professed interest in this proceeding, arises solely out of its position as a large buyer of telecommunications services. While DoD represents the executive arm of our national government, its appearance in this docket is not as a representative of the public. Nor does DoD represent or even purport to be a party representative of a class of customers. The DoD intervened in the case solely to look out for its own unique economic interests. Its dismissal will not result in the loss of any perspective necessary for the public interest; it will only result in the loss of a perspective to a single, unique large customer. No other large retail customers intervened, a fact from which the Commission may properly draw the inference that such customers are not worried about the outcome of

testimony is 6 pages.

¹ The DoD Direct Testimony, without exhibits in this docket is 71 pages. By comparison, the total of the two Staff witnesses Direct testimony, without exhibits, is 53 pages, the RUCO direct is 19 pages, and the tw telecom

CenturyLink's Application. As will be discussed below, such customers typically purchase from all carriers under individual case basis contracts, not directly out of tariffs.

THE PUBLIC INTEREST IS SATISFIED

- 9. The Administrative Law Judge asked at the prehearing conference to hear from DoD (and we presume from CenturyLink) about why the Settlement Agreement is in the public interest, and whether it has any effect on other customers. CenturyLink respectfully submits that the DoD Settlement, entered into fairly and in good faith to settle the controversy as it relates solely to the DoD and CenturyLink, should be assumed to be in the public interest under the policy favoring settlements, unless determined to contravene law or policy. CenturyLink is confident that the legitimate purpose and intent of the DoD Settlement will be clear upon the examination of DoD and CenturyLink witnesses.
- 10. CenturyLink submits that the fact it filed the DoD Settlement within hours of signing demonstrates candor and openness with the Commission and the other parties.
- 11. CenturyLink respectfully submits that litigants often settle before hearing because of the inherent risk of unsatisfactory results that is present in any contested adjudication, and they prefer to fashion an outcome that provides certainty. An agreed-upon outcome that disadvantages no one cannot be said to be contrary to the public interest.
- 12. As discussed above, the DoD's intervention is motivated by a relatively narrow, singular economic interest. CenturyLink submits that the DoD's litigation style in administrative law proceedings such as this, is to mount a "scorched earth" case, hiring professional witnesses who turn on their word processors to churn out lengthy written testimony. CenturyLink will be fully prepared to respond to that testimony. However, in these circumstances CenturyLink's motivation for settlement includes the perfectly legitimate objective of streamlining the hearing

by settling with the DoD, with the agreement that its professional witness, and his overblown testimony, would be excused from the case.

- 13. In its Opposition, the Staff states that the Settlement Agreement "appears to give DoD/FEA some preferential rate treatment for a period of five years." CenturyLink will happily defend that claim through testimony if required. The essence of the response, to be borne out by testimony, is as follows:
- a. The Settlement Agreement rate protection commitment is quite similar to the settlement agreement entered into between CenturyLink and DoD for the purpose of concluding the DoD's intervention in the docket regarding the merger of CenturyLink and Qwest. (Docket No. T-01051B-10-0194). Staff was fully advised of that settlement agreement, which was included in the Commission's order approving the merger, as Attachment G. With respect to the merger docket settlement agreement with DoD, the Commission held: "No party to this proceeding objected to any of these settlement agreements. To the extent necessary or requested, these settlement agreements are hereby approved." (Decision No. 72232, p. 56, para. 215.). The DoD merger docket settlement agreement provided a three year rate stabilizer: "The post-merger company will not increase current (as of the execution date of this agreement) pricing on retail Business Lines with or without Qwest Packages (single or multi-line), Centrex, Qwest Utility LineTM, and PBX trunks for three years after the execution of this agreement." (Settlement Agreement and Stipulation, Attachment G to Decision No. 72232.) As noted, the three year commitment to not increase rates in the DoD settlement in the merger docket was not questioned by the Staff—and was approved by the Commission (if necessary or requested to be approved). The Settlement Agreement in this docket essentially extends the previous commitment for DoD's most commonly purchased local services for three years longer than the

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remaining term in the previous commitment, since the term of the merger settlement and the five year term of the Settlement Agreement under consideration here run concurrently. The Staff's perspective on the Settlement Agreement in this docket is wholly inconsistent with the quite similar resolution DoD and CenturyLink reached in the merger docket. There are no distinguishing differences to merit such disparate regulatory examination. The earlier settlement approval by the Commission is precedential for this Settlement Agreement.

- b. DoD/FEA procures telecommunications services through competitive bidding. Under the authority of CenturyLink's approved tariffs which provide for volume and term commitment pricing and individual case basis ("ICB") pricing offers to business customers in competitive situations, CenturyLink has been awarded a number of DoD contracts. The Settlement Agreement provides that when those contracts are put out for re-bid, CenturyLink commits to bid at rates, terms and conditions no less favorable than its current contracts provide. No one has suggested that the current contracts are not "in the public interest" or constitute unlawful "preferential" treatment. Re-bidding at the same prices cannot be any less acceptable.
- c. Staff ignores the commitment in the Settlement Agreement which specifically addresses the filing of contracts entered into under the Settlement Agreement if required by the Commission's rules. Should Staff believe it is warranted, it could investigate actual contracts when they are made in the future.
- d. DoD/FEA is a large purchaser of telecommunications services, and as such comes under the "enterprise" market segment. The Staff's own analysis shows that the enterprise segment is fully competitive. As noted above, CenturyLink tariffs envision and permit ICB pricing. Contract pricing is consistent with the public interest in competitive situations, as is evident from Commission Rule R14-2-1115.C.3, which expressly contemplates competitive contracts.

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- e. It is not unusual for telecommunications carriers in Arizona to enter into contracts with business customers providing for rate discounts. Cox describes its ICB pricing as follows: "Under its tariff, from time to time Cox enters into ICB agreements with a business customer. The reasons for doing so could be to offer better pricing dues [sic] to a volume or bulk purchase of telecommunications services. This flexibility in offering ICBs to potential customers has worked well over the last thirteen years, and to Cox's knowledge, has never resulted in any discriminatory pricing complaint filed against Cox with the ACC. No carrier has raised a dispute over ICBs conducted with Cox's business customers and most business CLECs offer such contractual arrangements to prospective customers." (Application of Cox Arizona Telcom, LLC for an Exemption From Commission Rule A.A.C. R14-2-1115.C.3, Arizona Corporation Commission Docket No. T-03471A-11-0256, at page 3, lines 6-13.) CenturyLink can state that it has experienced similar favorable results when it has been allowed to offer ICB pricing to business customers.
- f. From the foregoing, it is evident that discounted rates provided to enterprise customers such as DoD/FEA are not prohibited. If a current CenturyLink ICB rate offer to the DoD/FEA is not contrary to the public interest, there is no basis upon which to argue that a commitment to keep that offer continually refreshed for 5 years is contrary to the public interest.
- g. This Settlement Agreement has no adverse effects on other customers. Other large business customers typically negotiate their own ICB arrangements, just as Cox described. Similarly situated customers of the same services and same volumes are not treated disparately, however. Like Cox (see above), CenturyLink's business customer ICB contracts have never resulted in any discriminatory pricing complaint filed against CenturyLink with the ACC.

1 public interest because it "appears to affect rates." For the reasons stated above, CenturyLink 2 3 4 5 6 7 8 9 10 11

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deprive the Commission of any especially useful information. ENTERING THE DoD PRE-FILED, PRE-SETTLEMENT TESTIMONY INTO EVIDENCE SERIOUSLY WOUNDS THE SETTLEMENT AGREEMENT AND WILL HAVE A CHILLING EFFECT ON SUCH SETTLEMENTS IN THE FUTURE

15. The DoD Settlement Agreement fulfills CenturyLink's legitimate purposes of streamlining the hearing and mitigating litigation risk by calling for DoD to exit from the proceeding, and to withdraw the testimony of its professional witness. While CenturyLink will rebut the DoD advocacy if necessary, CenturyLink's view is that it is hyperbolic and overblown, and in many respects off-point. If the witness's testimony is entered into evidence, a primary benefit of the Settlement is lost, and the contractual consideration of the Settlement Agreement fails.

The Staff asks for a determination of whether the Settlement Agreement is in the

submits that the provisions of the Settlement Agreement easily meet the public interest. More to

public interest with respect to its intrinsic terms and conditions relating to rates, that analysis has

CenturyLink respectfully suggests that the examination Staff seeks can be conducted separately,

and should not impede the core issues in this Docket. Furthermore, the examination of whether

departure will not adversely prejudice any remaining party, will not slow the case, and will not

the Settlement Agreement is in the public interest is a different question from whether DoD

should be excused from the Docket. As CenturyLink has shown in this response, DoD's

the point, however, is the fact that regardless of whether the Settlement Agreement meets the

nothing to do with whether CenturyLink's services are competitive under Rule 1108.

CenturyLink opposes admitting the DoD pre-filed testimony into evidence. 16. CenturyLink recognizes that the testimony has been filed with Docket Control, and it is included in the administrative record of this Docket. CenturyLink does not ask that the filing be

- Agreement achieve their objectives in intervening in this Docket. The DoD entered the Settlement Agreement by its own volition. By its own volition, DoD asks that its pre-filed, unsworn testimony be withdrawn. CenturyLink submits that admitting the DoD written testimony into the record—a writing that currently has no legal standing or significance—is tantamount to making the DoD testify against its will.
- 18. The Staff asserts that the Commission requires the pre-filed testimony of parties who settle pre-hearing to be entered into the body of evidence the Commission considers to either approve the settlement or to rule on the merits of the underlying proceeding. Whether that is true or not, and Staff has only provided anecdotal evidence in that regard, it is not a requirement embodied in the rules of practice and procedure before the Commission.

 CenturyLink respectfully asks the Commission to consider that in dockets like this one, compelling the entry of settling parties testimony into evidence has a substantially chilling effect on future settlements for the reasons stated above.
- 19. tw telecom proposes that the DoD prefiled testimony must be entered into evidence, because without it, "the Commission cannot independently consider and evaluate the merits and context of the DoD/FEA settlement." That claim is incorrect. The pre-filed testimony is a document already in the Commission's administrative files, and it may be referred to in the examination of witnesses testifying in support to the settlement, without being made part of the evidentiary record. But, however that may be, using the pre-filed testimony for the purpose of considering the public interest of the Settlement Agreement does not justify admitting

- the merits of testimony filed in response to DoD/FEA without the DoD/FEA testimony also in the record. CenturyLink respectfully submits that the Commission can simply decline to consider testimony filed in response to DoD/FEA. The purpose of this docket is to deliberate on whether CenturyLink's services are competitive. The purpose is not to evaluate DoD advocacy, which is in unsworn testimony that they now seek to withdraw. In any event, tw telecom's argument doesn't track. A quick examination of the Staff and intervenors' testimony reveals that they provide only cursory comment on the DoD advocacy. tw telecom's comment rings particularly hollow since it did not file rebuttal testimony at all.
- 21. tw telecom points to a settlement agreement in a different docket, (Docket No. T—01051B-10-0194) regarding approval of the merger between Qwest and CenturyLink. In that settlement agreement, the merging companies and the Commission Staff stipulated that all pre-filed testimony would be admitted into evidence, and all parties to that settlement agreement would provide testimony in support of the settlement. However, the situation in this case is not analogous. What was stipulated to by the applicant in order to reach a settlement with the Staff cannot constitute a precedent that must be adhered to when the applicant and the Staff have not reached settlement. Furthermore, the stipulation tw telecom points to from the merger docket was not signed by the DoD. The merger docket settlement agreement between CenturyLink and Staff simply provides no controlling guidance or precedent here.
- 22. CenturyLink respectfully asks the Commission to consider whether the policy reasons behind compelling parties who settle before the hearing to submit their pre-hearing written testimony into evidence, should be applied to each and every situation. This situation is

different from many others, in significant ways CenturyLink submits that as a consumer of telecommunications services in Arizona, the United States Government is unique in many respects—so unique that it could easily be considered a class of customer unto itself.² The DoD's intervention was made for its own economic interest, not on behalf of the public, and not on behalf of competitors. Those other interests are ably represented in the Docket by others. Dismissal of the DoD, without entering its pre-filed unsworn litigation position into evidence, prejudices no one.

ENTERING THE DoD PRE-FILED WRITTEN TESTIMONY INTO EVIDENCE WOULD WORK A SUBSTANTIAL INJUSTICE TO CENTURYLINK

- 23. It bears repeating that as it stands now, the DoD written testimony filed in advance of the hearing, is unsworn. It currently has no evidentiary or other legal significance. The settlement between the DoD and CenturyLink was reached before CenturyLink's rebuttal testimony was due. Because of the settlement, CenturyLink very understandably did not file written rebuttal to the DoD testimony. This unique circumstance presents another important reason why the Commission should refrain from ordering the DoD pre-filed testimony be included in evidence.
- 24. CenturyLink's understanding of settlement situations at the Commission is that the settling parties have typically completed their direct and rebuttal testimony filings; and in those circumstances they may be willing to stipulate all settling parties' testimony into evidence, and rely on their own rebuttals to defend against the others' testimony. Here, due to the way events unfolded, CenturyLink has not had the opportunity to rebut the testimony that Staff seeks to have entered into evidence. It would be fundamentally unfair to CenturyLink for the

² The United States Government has a substantial presence in the state through military bases and numerous other facilities. It constitutes an important part of the state's economy and comprises a significant part of communities of the state. Some of the military bases that are critical to our national defense, such as Fort Huachuca and the Yuma Proving Grounds, are located in relatively remote areas, and their telecommunications needs in those circumstances are unlike any other customers' circumstances. Last, because it is our government, it is not unreasonable to give the DoD/FEA a certain amount of deference.

unrebutted DoD testimony to become evidence in this case, open to be argued in briefs by Staff or intervenors, and open to be considered by the Commission in its deliberation of CenturyLink's Application.

CONCLUSION

25. For the reasons stated above, CenturyLink submits that ample reasons exist in these unique circumstances, for the Commission to grant the DoD Request to Withdraw, and to deny the requests of other parties to enter the unsworn, un-rebutted pre-filed testimony of the DoD into evidence. Entering that information, which at this time has no legal significance, into the body of evidence before the Commission will not enhance the evidentiary record or aid the Commission in the discharge of its duty. Such action would, however, seriously undercut the settlement agreement struck in good faith between DoD and CenturyLink. There is no compelling reason for the Commission to do that

RESPECTFULLY SUBMITTED, this 26th day of April, 2012.

QWEST CORPORATION d/b/a

Associate General Counsel

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Phoenix, Arizona 85012

Telephone: (602) 630-2187

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4	Phoenix, Arizona 85007	
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